



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 23, 1998

H.R. 3529 **Internet Tax Freedom Act of 1998**

As ordered reported by the House Committee on the Judiciary on June 17, 1998

SUMMARY

H.R. 3529 would impose a three-year moratorium on certain state and local taxation of online services and electronic commerce. In addition, the bill would establish an Advisory Commission on Electronic Commerce to examine issues related to the taxation of electronic commerce. CBO estimates that enacting H.R. 3529 would result in new discretionary spending of \$1 million to \$2 million over the 1999-2003 period, assuming appropriation of the necessary amounts. H.R. 3529 could affect direct spending and receipts, so pay-as-you-go procedures would apply, but CBO estimates that any such effects would be negligible. This bill would impose no new private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 3529 would establish an Advisory Commission on Electronic Commerce to examine issues related to the taxation of electronic commerce. The commission would exist for up to three years and would consist of representatives of federal, state, and local governments, citizens, and business interests. The bill would authorize the commission to have reasonable access to information, resources, and space to conduct meetings from the Departments of Commerce, Justice, and the Treasury. CBO estimates the commission's expenses for the next three fiscal years would be less than \$500,000 annually because no staff or contractual support would be authorized by the bill. CBO expects that nonfederal participants would bear a significant portion of the costs of the commission. The costs of this legislation fall within budget function 370 (commerce and housing credit).

PAY-AS-YOU-GO CONSIDERATIONS

H.R. 3849 would authorize the commission to accept and use gifts and donations to assist in its work. Donations of money are recorded in the budget as governmental receipts (revenues) and the use of any such amounts under the bill would be direct spending. Because the bill could affect receipts and direct spending, pay-as-you-go procedures would apply. CBO expects that any such effects would be negligible.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

See separate CBO mandates statement.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined by UMRA.

PREVIOUS CBO ESTIMATES

CBO has completed cost estimates for three other versions of the Internet Tax Freedom Act. On June 19, 1998, CBO transmitted an estimate of H.R. 3849, as reported by the House Committee on the Judiciary on June 19, 1998. On May 22, 1998, CBO transmitted an estimate of the federal costs of H.R. 3849, as ordered reported by the House Committee on Commerce on May 14, 1998. And on January 21, 1998, CBO transmitted an estimate of the federal costs of S. 442, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 4, 1997.

Differences between those estimates and the estimate H.R. 3529 reflect differences in the bills. The Commerce Committee's version of H.R. 3849 would require the Department of Commerce to study barriers to electronic commerce in foreign markets and establish an Advisory Commission on Electronic Commerce, but with fewer responsibilities than under H.R. 3529. The Judiciary Committee's version of H.R. 3849 also would require the Department of Commerce to study barriers to electronic commerce in foreign markets, but would not establish an advisory commission.

ESTIMATE PREPARED BY: Mark Hadley

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis